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USSR

The senior strategic analyst at Moscow's USA Institute has described the Vladivostok arms understanding as the best possible under present conditions, even though it permits a "terribly high" level of warheads.

G. A. Trofimenko, a well-informed consultant to the leadership on strategic matters, offered his opinions to an embassy official late last week. His endorsement echoed an Izvestia commentary of December 4, which said the results were the best attainable "under present circumstances." Both reflect sensitivity to criticism in the US, and possibly also in the Soviet Union, of the ceilings negotiated at Vladivostok.

Trofimenko implied that the major impact of the agreement would be to limit the total number of launchers available to the USSR and the number of multiple independently targetable re-entry vehicles (MIRV) available to the US. He expressed surprise, however, at the limit placed on MIRV launchers (1,320), saying he had expected a figure closer to 800. He saw little prospect of a reduction, however, as long as the USSR is faced by a hostile China.

Commenting on the exclusion from the Vladivostok accords of US forward-based systems--a perennial Soviet bugbear--Trofimenko said that he expected the issue to be taken up at the MBFR talks in Vienna. He did not amplify on this.

Trofimenko's remarks on US targeting strategy--the so-called "Schlesinger doctrine"--were significantly less disapproving than those he and other members of the USA Institute have made over the past few months. Trofimenko said that although the Soviets were still critical of the doctrine, the summit had modified their chief objection--that the coverage of more targets would spur the acquisition of more warheads by both sides. In fact, he said, with warheads now fixed at high levels for both sides, the Soviets themselves might move to a similar strategy.

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Trofimenko failed to repeat another favorite Soviet complaint that the Schlesinger doctrine seeks to make nuclear weapons "usable" by providing for their graduated use in time of nuclear war.

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### SAUDI ARABIA

The Council of Ministers has reportedly decided to ease some of the consumer countries' burden of recent oil price increases by offering 40 percent of Saudi Arabia's government-owned crude at 90 percent of the new posted prices--\$10.13 per barrel. Previously, sales of Saudi crude to third parties had been expected to take place at 93 percent of the new postings, or \$10.46 per barrel. A 33-cent-per-barrel drop in the price of 40 percent of the Saudi government's crude will not by itself, however, completely offset the recent increases. Even with this reduction, the government take will still be up between 26 and 34 cents per barrel, assuming that the tax and royalty increases effective November 1 are applied.

The price of Saudi oil could be lowered further as a result of negotiations now taking place between Saudi Arabia and the Aramco parent companies in London. The US embassy in Jidda recently learned that an agreement with the Aramco companies was almost certain and that, as a result, the prices of the oil allotted to them might be reduced. The amount of the possible price reduction to the Aramco partners was not indicated, and it will probably be one of the key issues in the London negotiations scheduled to conclude today.

In addition to the new moves on prices, the Saudis also plan to offer a way to ease oil consumers' balance-of-payments burdens. This proposal reportedly would allow oil consumers to pay for 75 percent of their oil in cash and allow the remainder of the cost to be deferred. This would, in effect, be a loan from the producers to the consumers and would mean that the producers would be taking some risk in the oil payment mechanism.

The actions outlined to the US embassy seem to reflect genuine Saudi concern about what high oil prices are doing to the economies of the Western countries. Their degree of concern will be more accurately indicated by the swiftness with which these proposals are implemented.

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JAPAN

The almost entirely new slate of cabinet and party officers named by Prime Minister Miki yesterday contains many strong figures and appears to be a successful attempt to balance powerful interests in the ruling Liberal Democratic Party. It does not signal major policy changes, but contains the potential for divisive rivalries.

All major factions of the party are represented:

--Takeo Fukuda, aging leader of the party's conservative wing, is deputy prime minister and director of the Economic Planning Agency. Three of his supporters received cabinet or party posts.

--Masayoshi Ohira, Fukuda's chief rival, remains as finance minister. Four of Ohira's supporters received cabinet posts, including foreign affairs and defense.

--Former party president and prime minister Kakuei Tanaka did not receive a post, but four of his supporters are in the cabinet.

--Yasuhiro Nakasone, who played a key role in Miki's selection, is now secretary general of the party, a job he clearly wants.

Of particular interest is the balance of influence between Fukuda and Ohira. The Fukuda faction has an important voice in both cabinet and party affairs, while the Ohira faction controls the most sensitive policy posts. To some extent, this reflects Miki's relationships with the two; as a progressive, he is closer to Ohira on a number of policy matters, but he is politically indebted to Fukuda--at least at this point.

Overall, the cabinet is slightly younger than its predecessors, and the large number of new faces should give the impression of change which the party badly needs. Major domestic or foreign policy shifts, however,



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do not seem imminent. Ohira remains in the most important economic post, and the new foreign affairs minister, Kiichi Miyazawa, is both able and well disposed toward the US.

Miki has improved his inherently weak position by the team he has been able to put together, but he will clearly have to rely more on persuasion and maneuver than on factional support his predecessors used to manage the party and cabinet. None of his supporters holds important party posts, and only two are members of the cabinet. Should serious rivalries or policy disputes emerge, Miki would lack the solid base of support helpful for making command decisions and in exercising restraint.

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### LAOS

Prime Minister Souvanna Phouma interrupted his convalescence late last week to participate in full-dress meetings of the coalition government's cabinet, Council of Ministers, and Joint National Political Council in the royal capital of Luang Prabang. He survived all of the meetings in reasonably good shape and made a special effort to convince coalition members, the King, and foreign diplomats that his recuperation is proceeding satisfactorily.

The cabinet meeting was the first chaired by Souvanna since his heart attack last summer. Both sides reportedly agreed not to raise contentious issues that might be detrimental to Souvanna's health. As a result, the highly controversial question of recognition of the Viet Cong's Provisional Revolutionary Government and Sihanouk's Cambodian government was not raised.

The non-Communists, who have been apprehensive over what they see as Souvanna's growing inclination to lean to the left, were apparently pleased by the Prime Minister's performance. Souvanna supported the non-Communists' position in a highly charged labor dispute and upheld their objections to portions of a bill on democratic freedoms proposed by the Pathet Lao, which would have imposed a system of censorship on the Laotian news media.

Souvanna also held up well at a meeting he requested of the Council of Ministers, presided over by King Savang, to discuss procedures for dissolving the dormant, rightist-dominated National Assembly. The Prime Minister proposed that the assembly be replaced by the Joint National Political Council, which could later be expanded and converted into a legislative body. Although Souvanna is optimistic that his plan generally satisfies constitutional requirements and has the King's support, there will probably be considerable additional haggling within the coalition before it is finally set in motion.

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Neither the cabinet, the Council of Ministers' meeting, nor Prince Souphanouvong's keynote speech opening the second plenary session of the Joint National Political Council provided any hint of a new or hardened Pathet Lao political line flowing from the extraordinary two-week conference of the Lao Communist Central Committee which recently concluded in Sam Neua.

This suggests that, for the time being at least, the Communists may be content to follow Souvanna's lead in pressing for conversion of the political council into a new national assembly. Indeed, the ceremonial fanfare surrounding the council's opening session last week appeared carefully stage-managed by the Pathet Lao to enhance the stature of the council and particularly that of its chairman, Communist leader Souphanouvong.

If the Pathet Lao achieve their objective, and the situation seems to be moving in such a direction, the coalition's legislative machinery will fall under the domination of Souphanouvong and the Communists will then be in a strong position to influence decisively the laws of the kingdom.

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CHINA

Peking may be close to filling the long-vacant post of army chief of staff. The leading candidate for the job appears to be former acting chief of staff Yang Cheng-wu, rehabilitated earlier this year after six years in disgrace.

Yang was listed first among military men and ahead of two deputy chiefs of staff appearing at a funeral in Peking on December 7. He has clearly returned to the army's General Staff Department, and his former status as acting head of the department improves his chances of eventually being named chief. The job has been vacant for more than three years and has undoubtedly been one of the more controversial personnel appointments discussed during the current preparations for convening the National People's Congress, China's rubber-stamp legislature. The ranking deputy chief of staff was not present at the funeral, so there remains some uncertainty about Yang's actual position.

Before his fall in 1968, Yang was sharply critical of a number of regional military commanders, many of whom have been attacked during the past year for disloyalty to Peking. Yang's return to a position in the national military hierarchy would be another sign of Peking's determination to put the regional military officers under firm control.

The official reason for Yang's fall was his opposition to Mao's wife Chiang Ching. Yang's appointment as chief of staff would likely be viewed as a slap at Chiang Ching, and she is not likely to welcome the return of her former opponent.

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THAILAND-CHINA

Bangkok's National Assembly has taken a significant step toward rapprochement by repealing a 15-year-old decree banning trade with Peking. The assembly's action breathes new life into the government's efforts--which have been at a standstill awaiting passage of the bill--to formalize trade relations with Peking. It further signals another move in Bangkok's effort to strike a better balance in its avowedly pro-US foreign policy.

The repeal comes at an opportune time for the government. A Thai trade delegation will leave on Saturday for Pyongyang and Peking. The Thai are reciprocating an earlier visit by the North Koreans and hope to purchase badly needed fertilizer. With the China trade ban now lifted, however, the stopover in Peking now looms as the more important part of the trip.

The Thai hope to conclude new sales of Thai commodities--principally rubber and jute--and have indicated a willingness to discuss the establishment of a Chinese trade office in Bangkok if the Chinese show interest. The presence on the delegation of senior diplomat Anan, Bangkok's ambassador to the US, suggests that the Thai are prepared to meet Chinese wishes to discuss political matters. Anan has been Bangkok's contact with the Chinese delegation to the UN.

China's primary emphasis during the delegation's visit will be on movement toward diplomatic relations. Peking will consider Anan's presence in the delegation as an indication that Bangkok is prepared at least to explore the possibility of diplomatic ties. The Chinese can be expected to assure the Thai that China will not interfere in Thailand's internal affairs and that it will keep its distance from the Overseas Chinese population in Thailand. The Chinese will demand, however, that Bangkok agree to break diplomatic relations with the Chinese Nationalists on Taiwan before any real movement toward normalization of relations can occur.

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It seems doubtful that the Thai are prepared to make a sudden move to establish diplomatic relations with China at this time. The current caretaker government would prefer to leave such decisions to the newly elected government, which will take office in February. An elected government, however, may be more receptive to pressures from the press and students for the establishment of diplomatic relations.

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## ARGENTINA

President Peron's draft legislation for the reorganization of the country's security and intelligence organizations is another step by the government to bolster its campaign against terrorism. The Peronist majority in both houses should ensure swift passage of the drafts.

The proposal to consolidate the intelligence services of the federal police, the armed forces, and the civilian intelligence agency is aimed mainly at improving coordination. Counterterrorist operations have frequently suffered because of a lack of concerted action and cooperation.

Mrs. Peron's decision to advance the new legislation may have been hastened by the recent killing of an army officer and his infant daughters. The military has been pressing for more severe antisubversive measures. Some junior officers have apparently begun to take matters into their own hands by forming vigilante squads targeted against the leftists.

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## BRAZIL

A recent Middle East trip by two cabinet officials, part of the continuing effort to court the Arabs, has had positive results for Brazil.

The government's top planning official and the minister of mines and energy have returned from a visit to Kuwait and Saudi Arabia to discuss oil and Arab investment possibilities. The Brazilians have provided few details about the oil talks, but the planning chief has said that Brazil need not worry about continuing supplies. A Rio de Janeiro newspaper reported earlier that an oil supply agreement with Kuwait had been signed.

The planning official announced that a Kuwait-Brazil investment company will be formed; a mixed commission will develop joint projects. Brasilia also announced an agreement with a consortium of Arab banks to float a \$25-million bond issue.

In the process of strengthening ties with the Arabs, the Brazilians have sent and received a number of official delegations. Next month this effort will continue when the Kuwaiti foreign minister pays a visit. Brasilia is also probably working hard to persuade Saudi King Faysal to make a stop in that capital in connection with his visit to Venezuela early next year.

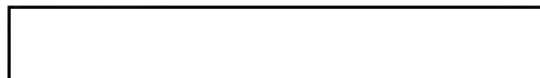
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